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Title: ‘Cottesbrook’s New Zealand Sauvignon Blanc wine to Tesco’

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Biographical note

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COTTESBROOK'S NEW ZEALAND SAUVIGNON BLANC WINE TO TESCO

Abstract

Purpose – This case study explores how a relatively economically insignificant business can gain and maintain access to a major supermarket chain on the other side of the globe in a world oversupplied with fine wines.

Design/methodology/approach – Based on the approach to case studies recommended by Lyons (2005), this case study is built on semi-structured interviews with key informants, previous experience, observations, documentary and web resources, combined in a process of triangulation to ensure reliability and content validity.

Findings – The nature of the problems facing a small wine producer are described, followed by an account of how access to Tesco was achieved and maintained. Personnel with previous Tesco contact were found to be vital to gaining access. Providing exactly what the supermarket wanted, when it wanted it and with reliability to continue supply over time were found to be critical as was the role of the channel coordinator.

Supplier/supermarket loyalty was able to survive opposition. Maintaining good relationships in the supply chain was supported at all levels by active participation of the supplier's principals, in all stages of the chain, both personally and in developing solutions to the supermarket's problems.

Originality/value – The case study describes the first successful export of wine from New Zealand to Britain for sale in Bag-in-Box containers and how this is far more efficient in 'food miles'.

Keywords – Case study, Wine Industry, Marketing, Supermarkets, Relationships, channel coordinator, 'food miles', Bag-in-Box..

Paper type – Case study

Introduction

Wine production world wide has been growing rapidly and had been estimated to reach 28,200 million litres by 2005 (Rabobank, 2004), still 8,400 million litres more than consumption. That growth has been fuelled by significant New World plantings including

those in New Zealand, but New Zealand's wine production is only about one percent of world production. In 2005, the 500th winery was established in New Zealand and exports exceeded 50 million litres for the first time (New Zealand Wine, 2006a). New Zealand wine producers were entering an increasingly competitive market. New Zealand has been a small player in the world market, but a relatively successful one (Rabobank, 2004). The landed bottle price in the United Kingdom for New Zealand wine has been some 36 percent higher than the second placed Australia (£5.61 compared to £4.13 for Australia, £3.69 for France, £3.52 for Spain and £3.16 for Italy [USDA, 2003, cited in Rabobank, 2004]). New Zealand wine exports are increasing rapidly and projected to continue increasing. The main grape variety which has established New Zealand wine on the world map is Sauvignon Blanc, particularly from Marlborough, at the northern end of New Zealand's South Island. In 2005/6 it accounted for 72 percent of New Zealand's exported wine (New Zealand Wine, 2006b).

In this situation, with a world wine glut (Rabobank, 2004; Campbell and Guibert, 2006) and continued increasing domestic production in New Zealand, together with too many new small wineries, what was a slightly larger New Zealand wine enterprise to do? With a growing recognition that export was the only possible opportunity for wine, similar to many other of New Zealand's primary products, the directors of Cottesbrook, a freshly created wine producing enterprise developed a strategy to gain access to Tesco supermarkets in Britain. How they did that and maintained that relationship is the story this case study reveals. How that story was uncovered is described in the next section which discusses the case study methodology used, after a brief consideration of relevant theory.

A little theory

This issue of the *British Food Journal* is focusing on relationships, networks and interactions in food and agriculture business-to-business marketing and purchasing. Empirical case studies of agribusiness chains were sought because there had been little empirical research reported on such chains (Lindgren, Hingley and Trienekens, 2006). Further, there has been little reported about the extended supply chains servicing New Zealand agribusiness, although those supply chains are some of the longest in the world and are vital for New Zealand's continued economic wellbeing (Patterson, 2005).

Within an international agribusiness environment with falling relative prices, free capital movements, increasing global competition and the ability to move technology quickly from one area to another, ongoing value extraction depends on not only continued innovation and good supply chain management, but excellence in the marketing process (Gow, 2006).

That value is obtained typically in one of three ways – by product leadership, by operational excellence or by customer intimacy. Product leadership involves processes such as Research and Development or Brand Promotion. Operational excellence shows optimal processes and high efficiency leading to cheap prices and convenience, whereas customer intimacy is an expression of understanding customer needs and finding solutions especially fitted to an individual customer's requirements. It has been suggested that successful companies tend to excel in one of these value disciplines (Gow, 2006). Value can also be created by exploiting performance gaps and opportunity gaps (Prahalad, 1993, quoted in Gow, Oliver and Gow, 2002). Supply chain management of agribusiness supply

chains has increased focus on filling the performance gaps. Performance gaps are typically addressed by improved production and marketing systems and greater efficiencies, whereas opportunity gaps involve seizing chances for growth from new business, new market developments, or changes of strategic direction.

Since 2000 some studies in the food and agriculture industries have begun to explore the empirical details of relationship marketing. In such relationship marketing a seller has had to develop a unique offer to meet a specific customer need (Hingley and Lindgren, 2002). How managers have understood and reacted to relationship marketing and how it fitted into the general marketing landscape, especially marketing activities for building relationships, was an early focus of Hingley and Lindgren (2002). Some of their case studies related to New Zealand wine businesses. The latter expressed concerns not to become too dependent on a single market or a big retailer; but on matching with similar sized importers of their wines and through reaching mutual trading agreements (Hingley and Lindgren, 2002). New Zealand vineyards often required importers to take only their wines of a specific type from New Zealand in an exclusive deal. A relational approach was also facilitated by mutual trust and "...a good workable social context" (Hingley and Lindgren, 2002, p. 816). While some winegrowers produced a standard range of wines, others were attempting to customize their wines, such as label design for Tesco (Hingley and Lindgren, 2002, p. 819). Communications were increasingly employed, whether through international press coverage, newsletters, or their own websites, or through meetings between vineyard and importer at various levels (*ibid*).

In contrast, Beverland and Lindgren (2004) looked at the evolving patterns of relationships over time among New Zealand wineries, importers, retailers and customers. Their study of the New Zealand wine industry is one of the few which has attempted to track the evolutions of relationships in a longitudinal manner. Further, they advocated replicating their research across a broader range of industries over time, by longitudinal case studies of single firms and an historical analysis of marketing practice within industries. This study unintentionally replicates their research in some ways with another historical study of marketing and relationships within a single firm and supply chain in the New Zealand wine industry.

Beverland and Lindgren found evidence supporting the position of Achrol and Etzel (2003) that emphasized the value of relationships in growing markets and de-emphasized them in stable markets. In growing markets firms did form relationships focused on short-term problem based needs:

“...in growth markets the need to form relationships may be more paramount due to lack of such relationships, whilst in mature markets , firms may place less emphasis on relationship goals, as they are searching for new opportunities” (Beverland and Lindgren, 2004, p.852).

Further they note that firms routinely create, build and leave relationships in reaction to changing strategic needs and the business environment (*ibid.*). They also found that their evidence supported the position of Joshi and Campbell (2003) that firms who establish relationships early can achieve substantial adaptation benefits by leveraging their mutual activities to the benefit of both parties. In terms of managerial implications, they concluded

that the strategic form that firms take is a response to the complex nature of the context in which they find themselves. For example:

“...firms often gained significant advantages by forming and/or intensifying their relationships early and, assuming continued investment in relationships (complemented by constant market contact), these firms could enjoy increasing returns and create tacit advantages that would be difficult for competitors to surmount”. (Beverland and Lindgren, 2004, p. 853)

Patterson (2005) has expanded the discourse by looking at the New Zealand meat industry, which historically has depended on the same long supply chain to the UK. As a large and dynamic industry, it has had players regularly entering and exiting it. Such entrepreneurs tend to focus on a specific niche rather than compete with large and established companies in the generic or commodity market place. They tailor their product offering to what the market niche, which they have identified, demands. Patterson highlights the role of channel coordinators in achieving the delivery of a consistent product offering tailored to the requirements of the market niche, but found that despite its importance there was very little research on the place and performance of this particular role. So he set out to find out how meat industry supply chains were structured; why a particular structure was used by a niche chain; and what was the role of the channel coordinator in such chains. In his case studies he found all the supply chains studied had different structures, but that the key to their structures was the role played by the channel coordinator, who brings all the influencing factors together. They manage the chains to see that the requirements of the target niche market are met and flow through to the consumers. So the product offering was adapted to suit them. Channel coordinators also controlled ‘their’ brand and the consistency of the

product marketed under it. In so doing they communicated with most or all of the actors in the chain to retain their control and ensure full and regular information flows, particularly to head off any problems at their outset, to provide feedback, and for fine tuning the product offering. To motivate other actors in the chain, the channel coordinators used incentives to ensure that what was required was done. Patterson highlights their focus:

“...the channel coordinator who targets a niche market will focus specifically on a market segment, customizing his product to suit the demands of his target niche. In so doing, he differentiates it from competing products and builds an in-depth understanding of that market niche.” (Patterson, 2005, p. 170)

The case studies showed that without the channel coordinators there would have been no chains. They became channel coordinators because they identified a potentially profitable market niche and set up the supply chain from nothing to capture that (Paterson, 2005, p. 172). The possibility and value of contrasting supply chains and channel coordinators marketing different products (e.g. fruit, vegetables, non agricultural produce) to different niche markets was also identified (*ibid.*, p. 174).

The case study which follows was set up entirely independently of the research described in the previous paragraphs. However, it provides a lot of further evidence supporting the research described and corroborating much of that research. How it does so is reviewed in the final parts of this article. This case study focuses on Cottesbrook, a New Zealand wine enterprise, created primarily to take advantage of customer intimacy with Tesco.

Cottesbrook has also managed to capture significant value from innovation and supply chain management. It grew out of Cellars of Marlborough, which in turn grew out of Cellars of Canterbury. Originally Cellars of Canterbury was a cooperative wine company.

It was set up to reduce the performance gap in marketing by forming a cooperative company to achieve economies of scale and reduced shared marketing expenses between five medium sized Canterbury wineries (Giesen Wine Estate, St Helena Wine Estate, Sherwood Estate Wines, Rossendale Wines and Sandihurst Wines). Cellars of Marlborough was formed out of an attempt to gain traction on an opportunity gap from expanding the field of operation from the domestic New Zealand wine market to the world wine market in the late 1990s. For that to happen, supplies of Sauvignon Blanc had to be secured. Hence the acquisition of vineyards for Sauvignon Blanc supply, which became Cellars of Marlborough. However, over time the cooperative structure could not stand the pressures of five entrepreneurs wanting to go in different individual strategic directions. Management of those differences became too inefficient and Cellars of Marlborough dissolved with each of the parties making substantial capital gains from increasing Marlborough viticultural land values. From the ashes, like a phoenix, arose a partnership between two of the members who formed Cottesbrook to seize the opportunity gap of access to the international market place by specifically placing their wines on the shelves of Tesco, the largest British supermarket chain (Davey, 2006), the world's most successful internet supermarket, and one of the most successful exponents of customer relationship management (Humby, Hunt and Phillips, 2007) According to Stone (2005) Tesco has forged much of its marketing success on its customer orientation. Part of that success is built on "...finding suppliers who share your vision and can deliver what you want quickly and cost effectively..."(Stone, 2005, p.2). This case study describes two unequal companies fitting together well because they have similar marketing aims – keeping the customer happy and loyal (Turner and Wilson, 2006; Rawstron, 2006).

Methodology

The story of Cottesbrook's developing relationship with Tesco is based primarily on semi-structured interviews conducted with Cottesbrook's key personnel and others. Person to person interviews lasting 1-2 hours were conducted with Brent Rawstron and Robin Mundy, Cottesbrook's joint owners (brief biographies of each of the key actors in this case study are given in Appendix 1). These interviews were taped and other notes and transcripts made of these interviews and other meetings which occurred. Various meetings happened over the period 23 September 2003 to 12 January 2007. Graeme Thompson and Dominique Vrigneau were interviewed by telephone with notes being made during the interviews and immediately afterwards. There were no other informants available to provide critical information.

The case study is founded on long term knowledge of the New Zealand and Canterbury wine industries. The author is the historian of the Canterbury wine industry (Tipples, 2002). To maximize the reliability and content validity of the case study a strategy of triangulation was used throughout for data testing, which involved cross checking different information sources and methods to give coherent and supported results (Denzin, 1978; Sale, 2003; Hill and Capper, 1999). To cope with the unreliability of the human memory, multiple sources were used: previous experiences, observations, research notes, interview notes and transcripts, world-wide-web materials, and documents as available (including books, and academic and media articles). When an event was mentioned once, it was taken as being a possibility of it having occurred; when mentioned twice it became a likelihood; and when mentioned three times as a definite probability. The author had used this strategy in previous histories dependent on a substantial element of oral history.

Research ethics were not problematic for this study. As a university researcher the author falls under the exemption listed in Lyons (2005), Appendix 3, no.1. The author's own University Research Ethics Committee does not require ethics clearance for academics working with other professionals in their respective fields of activity. The nature of the project was outlined to participants at the outset. No informant had to participate in this investigation and each was advised of their chance to oversee the results before publication. The results of the study embodied in this article were referred back to the key informants to avoid any misunderstandings or misinterpretations, or anything which might be potentially damaging to any actor in the supply chain. Those consulted were asked to provide written clearance of the article. The author has no involvement in any of the businesses discussed.

Sauvignon Blanc – A wine with a difference

Brent Rawstron, one of Cottesbrook's two proprietors has said:

“It's a flavour profile which is quite unique in terms of freshness and ‘zinginess’, which is there from naturally ripe grapes – the fresh flavours of the fruit (capsicum, asparagus, gooseberries)...Sauvignon Blanc is fruit driven...It has a certain cleanness that European blends never have” (Rawstron, 2006).

These characteristics seem to develop better in New Zealand's temperate climate and in Marlborough's long hours of sunshine, with a large diurnal temperature range, than other parts of the world. These characteristics which seem to be in demand in the marketplaces of the UK and USA, particularly, are responsible for the high per bottle prices received and are currently subject to intense scientific investigation (Lund, Thompson, Duizer and Triggs, 2007). The natural acidity of Sauvignon Blanc drops quite quickly with age so it is

not a wine to cellar. To retain those exciting fruit flavours it has to be drunk young, with those fruit flavours being retained best by screw cap enclosures. (Brajkovitch, Tibbits, Peron, Lund, Dykes, Kilmartin and Nicolau, 2005; Nicolau, Benkowitz and Tominaga, 2006). Winemakers have to keep these characteristics in the wine for maximum commercial benefit. As it does not have to be 'cellared' Sauvignon Blanc is also a good wine for the winemaker's cash flow and enterprise liquidity.

Cottesbrook's relationship with *Tesco* Supermarkets

In the late 1990s Cellars of Marlborough, a commercial vehicle for owning vineyards, which had grown out of Cellars of Canterbury (Gow *et al.*, 2002), recognised that New Zealand wines were going to be more difficult to sell. Problems were also being encountered with overseas sales' agents, although some sales were being obtained in the U.K. To cure this problem wines from Cellars of Marlborough could be re-labelled, which permitted engaging another agent to help with marketing. This did not lead to changing the wine. It still remained the same Marlborough Sauvignon Blanc but with a new label.

Attending wine shows and other commercial events was not helping sales by getting past the gatekeepers of the larger volume purchasers such as supermarkets like Tesco. Robin Mundy (2007) recalled:

“Brent had suggested he knew Graeme Thompson quite well and Graeme had sold a lot of meat to Tesco,...to see if Graeme had some way of getting hold of someone in Tescos, who would have the ability to get past the gatekeepers”

(Mundy, 2007)

Graeme Thompson was approached and said he thought he knew one or two people among the category managers, who he could ask who was the right person to approach. Graeme was recruited as international sales agent by Cellars of Marlborough. He had been concerned with innovative developments with New Zealand lamb and had placed the first chilled packaged cuts in *Tesco* Supermarkets, which had become a major commercial success. Category managers were important managers who were responsible for implementing company policy in terms of day-to-day decision making such as what to buy and stock; in how many stores; at what prices; and in what volumes (Thompson, 2007a). These previous contacts led in two directions: to Phil Reedman, the *Tesco* buyer for the Southern Hemisphere, who was based in Australia and to *Thierry's Wine Services* of Romsey, Hants. *Thierry's* is a French owned UK wine company that is responsible for much of *Tesco's* wine acquisition. *Thierrys'* Mission statement says:

- “*Thierry's* are a source of real wine
- We are a passionate team of people providing real quality, an uncompromising attitude to sourcing honest wines, working with exceptional producers.
- *Thierry's* provide a real alternative to bland brands.” (*Thierry's*, 2007)

They did not have any New Zealand wine at that stage, but lots of French ones, their main business. Initial samples were test marketed but with insignificant results.

2002 – Short Sauvignon Blanc supplies

2002 was a poor year and Sauvignon Blanc wines were in short supply. *Tesco* were not getting as much New Zealand Sauvignon Blanc as they wanted. It was being rationed.

Tesco approached Thierry's and then Cellars of Marlborough directly. Cellars did not have it, but wanted to sell other 'surplus' wines to them too. Tesco did not appreciate this style of operating. Two of the directors of Cellars of Marlborough decided it was too good an opportunity to miss and got into further discussions with Tesco. They set up the new label as the vehicle for this enterprise and gave their other directors a short period to join the new enterprise or miss out. None did. Tesco, in the person of Phil Reedman, came to New Zealand to see the enterprise.

Relations with Phil Reedman of Tesco and Dominique Vrigneau of Thierrys had begun haltingly. It took something like two years before Tesco became sufficiently disenchanted:

“...with the rationing treatment of mainly Montana at the time that drove them to take our approaches more seriously and by the time Phil Reedman made his initial visit to us he was well versed in what our quality was (samples had been evaluated) and he was well aware of Alan McCorkindale's involvement as our winemaker; in fact that was a strong driving factor in convincing him that we could be taken seriously. In other words by the time Phil arrived for his first visit he was already completely prepared in terms of Tesco listing the product”.

(Thompson, 2007b)

Robin Mundy takes up the story of his first visit:

We (Robin and Brent) introduced ourselves as both being family companies, not big companies...” (Mundy, 2007)

Two or three different blends of Sauvignon Blanc were tried. Phil asked what other wine was he expected to take as well to secure the Sauvignon Blanc supply. However, he was re-assured:

“You only have to buy what you want, if you don’t want it, you do not have to buy it”. (Mundy, 2007)

A price at which they were prepared to supply had been worked out equivalent to the bottom of the Montana range, which was considered reasonable in light of the quality of the proposed wine, and the required quantities were available..

The Cottesbrook label and wine style

One unexpected bonus for Phil Reedman was when he commented of one blend “I don’t think this is dry enough”, to which Alan replied “We make the wine whatever way you want”. Later Reedman and Vrigneau decided on the appropriate style, with the style a little sweet for the first three months, and cutting the sweetness down in the subsequent nine months. Not only was the wine made to order, but also everything that went with it:

“...even the label so that when it fitted on the shelf the name was at the top, not at the bottom so that people read it...everything was specially designed for the supermarket”. (Mundy, 2007)

Various proposals for a wine label were discussed. The new label eventually chosen for the venture was Cottesbrook. It was the name of Graeme Thompson’s family home farm in Central Otago, derived from the name of the original family home of the nineteenth century in Northamptonshire. The original concept label with its requested gold lettering was delivered to Phil Reedman within seven days of the initial meeting. Subsequently incremental improvements to the distinctive label have been made five times. The stated

objective of Cottesbrook is to produce classic wines at competitive prices, reflecting the unique flavours and aromas for which New Zealand wines have become famous (Thierrys, 2006).

Reliable supply

One concern from Tesco was whether Cottesbrook could maintain a reliable supply over the long term. Cottesbrook said they could agree to Tesco's demands, and urged Tesco to concentrate on selling their wine and they would concentrate on supplying it. "You want x amount of that product – if you guarantee to take it, we will supply it" (Rawstron, 2006).

They had to convince Tesco that they would give reliable supply over the long term. It was critical (Thompson, 2007a). The reliability of the bottling line was one feature contributing to this, with the change to screw cap closures maintaining both the quality of the wine (no cork taint and consequent costly problems with returns) and the ability of screw caps to be stored vertically without problems of deterioration). Since the introduction of screw caps only one quality problem has arisen, when a customer decided to try his corkscrew on his screw cap.

Cottesbrook did not have the wine in that first year but took a gamble as entrepreneurial winemakers that they would never be asked to supply the full number of cases. Their reasoning was that with a new brand *Tesco* sales were only going to start slowly. By the time that the new arrangement was beginning to happen it was September and with the new vintage becoming available in the following June, the full number of cases in the initial order would probably not be wanted. When the new season's wine is available, it has all those features of freshness and zinginess, which give Marlborough Sauvignon Blanc its

marketing niche. What vendor would want to be selling the old year's wine at that point? Rawstron and Mundy knew what Sauvignon Blanc was like – it should be drunk young, therefore vintages are changed as soon as possible. Their judgement was confirmed by events. The brand built slowly. Their demand predictions were correct. A Win:Win deal had been achieved for both Cottesbrook and Tesco. Providing further old season wine would have done nothing for further business.

At that stage what really impressed Tesco about Cottesbrook was:

“..that they owned the vineyards and the grapes so that we were basically first sellers. We made the wine and had a bottling plant. Then only three others in New Zealand (were) up to Tesco standards. They wanted a plant with no hiccups...” (Mundy, 2007)

The Cottesbrook Marlborough – United Kingdom Supply chain

Marlborough Sauvignon Blanc is produced in Marlborough on both Cottesbrook's vineyards and on those of other contracted growers. Typically it is turned into juice in Marlborough. The juice is settled for 24-28 hours, and then racked off leaving the sediment. It is then taken either by road in truck and trailer units to Christchurch, or by rail tankers. Which is chosen depends on relative economics. It then goes through a short fermentation in stainless steel, whereupon batches are blended into the winery's particular formula, which was developed by wine making consultant Alan McCorkindale in conjunction with Phil Reedman and Dominique Vrineau, to help retain the key defining characteristics for as much of the year as possible. By the end of May or beginning of June, from a March harvest, the vintage is bottled in one of the few Tesco approved bottling lines

in New Zealand. It is then placed on pallets and into 40 foot containers for shipping to the UK via Lyttelton or Port Chalmers. The containers do not have to be environmentally controlled, despite going through the tropics. However, some precautions are taken. Containers are bottom stowed and so not exposed to the full force of the sun. Each container is lined with reflective silver building paper and a thermal blanket is placed over the top of the cartons (Thompson, 2007). The containers are not individually monitored. One shipment, which had got 'lost' in Singapore for a period and 'cooked' in the heat, did result in a large insurance claim and re-routing the cargo so that the time in the tropics was minimised. However that was an isolated event.

Stock control

The whole success of the Cottesbrook venture is attributed by Robin Mundy to Graeme Thompson's keeping in touch with his customers. He only gets paid on his sales, so it is in his best interest to keep them happy, which he does very well. Each week sales' figures arrive and a meeting is held. Projections are made of what they think Tesco will want and compared with what they have ordered. On occasions Tesco have to be reminded if they have under ordered, especially since deliveries from New Zealand take about thirty days. That must be factored into their calculations. Only once has their product been off Tesco shelves in four years. That occurred when a special event had been held. Tesco need a 'Just-in-time' supply. They do not want stock hanging around.

Relationships

One feature helping this relationship to develop has been the regular meetings by the parties with their colleagues on the other side of the world so that they keep in touch with what is

happening and eliminate any problems before they become real issues. Cottesbrook have been quite proactive on this front. At the professional level all of Brent Rawstron, Robin Mundy, Graeme Thompson, Phil Reedman and Dominique Vrigneau regularly visit each other. Brent, Robin and Graeme also visit the U.K. regularly, at least once a year, sometimes more. They always visit the local Tesco store in the area they are visiting and make themselves known to the wine section's staff, both management and shelf stackers, something they believe does not happen with other New Zealand suppliers. They introduce themselves as owners of the business. "What we are doing is putting a face on the product. I think that is the big thing about it." At Tesco Calais, a particularly big outlet, they make a point of taking New Zealand calendars, especially near Christmas, and distribute them widely. "It's the sheer fact that you have seen them, said hello" (Mundy, 2007). One particular example from Macclesfield was recalled where the same store was visited three years later and the stacker remembered Robin Mundy, "the man from Cottesbrook". Another New Zealand label had been short of stock and the stacker had made up for it by increasing the number of facings for Cottesbrook from 2 to 3 facilitating the sale of more stock and increased size of orders. He had done that because they were real people who had visited and made themselves known. Since the first Cottesbrook wines had appeared on Tesco shelves, they estimate they have visited some 80 Tesco stores (Mundy, 2007).

Driven by the market

The success of the bottled Sauvignon Blanc led to a further business. Tesco asked for a Pinot Noir. Sales started quite slowly, but that has now grown to quite a reasonable market. In matching bottles there is now a white and a red at a £1 difference.

At one meeting Reedman was asked: “Is there something that you would like on your shelf, Phil, that we can do that no one else can do? Phil responded “Yes, there is. We would like to have a 3 litre wine cask” (Mundy, 2007). Despite previous requests made to bigger companies nobody had been able to supply a satisfactory product in A1 condition in the U.K. Cartons had proved too flimsy, losing their shape on the journey between New Zealand and the U.K. This performance gap was a challenge to two innovative New Zealand farmers. They recollected a couple of points from a European visit. When visiting a bottling plant near Marseilles, *Les Chais Beaucarais*, they had observed casks being filled. Then they had seen trucks of wine going under the Channel in the Tunnel and never having to go by sea at all. The random question had thrown up a real possibility. Discussion with Thierrys revealed that they already had extensive dealings with *Les Chais Beaucarais* for their French imports. A proposal was put to Tesco based on shipping bulk wine to Marseilles for re-packaging. Such exports from New Zealand occupied container space far more effectively and thus were not only more economic but far more energy efficient in terms of food miles than other Antipodean suppliers (Saunders, Barber & Taylor, 2006).

The bulk wine is shipped to Marseilles in 20 foot containers with an internal 24,000 litre bladder. Marseilles is the port close to *Les Chais Beaucarais*, the business chosen by Thierrys for the re-packaging of the bulk wine into 3 litre customised Tesco’s Bag-in-Box (BiB) cartons. Tesco wanted to be the first company to launch a Sauvignon Blanc in a 3 litre Bag-in-Box (BiB), before their supermarket rivals did. Cottesbrook asked for a premium price because it was a premium product, and because they were going to be attacked by the rest of the New Zealand industry for doing it. It became the most highly

priced BiB ever sold by *Tesco* and was £4 more expensive than the next most expensive BiB wine. The economics of the BiBs are also very good. A BiB contains 24 standard glasses of wine. If they were sold for £4 each the total would be £96 for an outlay of just £21.99. When *Tesco* had wanted a bigger margin, they had put up the price by £2.00 to £23.99, rather than ask *Cottesbrook* to cut their margins. This equated to approximately £1 per drink, making the calculation of income from sale of the drinks particularly easy for the hospitality industry.

BiB wines have a number of marketing advantages. First, they are in a container which prevents oxidation. When opened there is no wine exposed to air as in a partially used bottle of wine. The vacuum packed bag collapses as the wine is released and no air is allowed to enter the bag. Secondly, they take less space than bottles containing a similar quantity. Thirdly, they incur very few rubbish removal costs compared to glass waste. Fourthly, the lower space requirements also have important retail advantages. For a 'house' Sauvignon Blanc, the 3 litre BiB takes up a minimal amount of space for the volume of wine, and sits particularly well in the refrigerator. Furthermore, it has been suggested that many cafés and restaurants have taken to buying the BiB. If many cafés and restaurants are buying, that would explain why Tuesday is the biggest sales' day, because many hospitality venues are shut on a Monday after the weekend, re-opening and re-stocking on a Tuesday. With limited storage space in urban sites ready access to a *Tesco* supermarket could easily reduce the potential stock storage problem of too many bottles. There is also the advantage that the content of BiBs is not of a specified vintage. Therefore at the end of one season's production run the winemaker can mix the new wine, with its extreme varietal

characteristics with that from the end of the old year, and make the transition to the new year's wine much more gradual and correspondingly less noticeable (Rawstron, 2006).

In Rawstron's opinion the product has been marketed very well by Tesco. One feature most Kiwi commentators did not realise was that BiBs are shelved alongside bottles of vintage wines, unlike in New Zealand, where they tend to be relegated to a discount/cheap part of the shelving. The public controversy expected did arise because 'Brand Marlborough' was perceived as being undermined and diatribes against the 'evils' of BiBs and the traitorous behaviour of Rawstron and Mundy were published. For example, "Of sweet young sauvignon and bitter chateau cardboard" in which one reads:

"One company makes a fast buck while every producer of Marlborough Sauvignon blanc loses a few cents on every bottle for ever more. Brand 'Marlborough Sauvignon Blanc' must suffer a loss of status with this product being sold by the cask"... "The cowboy factor is no longer a danger; it is a reality." (Campbell, 2003, p. 16)

The *Listener* took a more sober view:

Marlborough is up in arms over some wine company daring to compromise the quality aspirations of the region's winegrowers by shipping bag-in-box Marlborough sauvignon blanc to a UK supermarket chain..."

"...So why all this fuss about bag-in-box sauvignon blanc in a British supermarket noted for the low price of its generic wines? Is there a dash of guilty conscience out there among winemakers whose favourite marketing technique is to flog container loads of Marlborough sauvignon blanc to any supermarket chain that will take them? Currently, the New Zealand wine

industry's international marketing effort sounds far too similar to that of the meat industry in the 70s for anybody to be fooled into thinking they are actually interested in the premium wine trade.” (Stewart, 2003, p. 44)

The controversy was not news in Britain, where, as Phil Reedman explained on behalf of Tesco at the 2004 Pinot Noir Conference, there was a more favourable perception of cask wine and it was then selling at £20 or \$54 for four bottles (Hutching, 2004). Reedman did not believe it would lower the high profile of Marlborough's flagship brand:

“Brands and strong reputations are important to Tesco and we seek to build brands not destroy them. Growth in wine sales from the New World countries is strongly correlated with strong brands and therefore doing something which undermines a key brand is not something we would do...Clearly customers recognise the quality and value for money offer of this package along with its convenience.” (Wilson, 2004)

While it had received mixed reviews from wine writers, it was well accepted by customers:

“Great for parties

3L of very nice wine. We bought this for a party we had at our home. The guests really enjoyed it. (Tilby)

Wine on tap – fab!

My current favourite wine is Sauvignon Blanc from New Zealand so it's great to be able to get my hands on a 3L box. (Hermione)”
(Lovedthatwine, 2006)

Nothing is heard now about the supposed problem, with the ready availability of Sauvignon Blanc for any bulk purchase. Yet Cottesbrook continue to send BiBs and Tesco are very happy customers.

The future

Cottesbrook have attained a preferred supplier status with Tesco. Their relationship has grown and subsequently they have been approached to supply Pinot Noir and then other wines, including the BiB Sauvignon Blanc from New Zealand. Tesco perceived Cottesbrook as being very loyal to them through the public dispute of introducing Sauvignon Blanc in a BiB. In return they have stuck by Cottesbrook and increased their mutual business. In Brett Rawstron's opinion, as an effective channel coordinator, it is all about building and maintaining a relationship, and paying attention to what the customer wants and then supplying exactly that. The only downside to this relationship is that they are now identified as Tesco suppliers and cannot supply anybody else without undermining that special relationship.

As entrepreneurs they have gained value from filling both performance gaps (BiBs) and opportunity gaps (getting preferred supplier status with Tesco for their very competitive bottled Cottesbrook wines). Both of those achievements have been built on the underlying strategy of establishing an intimate relationship with Tesco and especially with their staff and associates, but above all in meeting every customer requirement.

Implications

Five main implications are provided by this case study. First, it remains a key priority in any business to provide exactly what the customer wants. This supports the same point made previously by Patterson (2005). The wine is made to meet Tesco needs. It is then labelled and packaged to suit their particular supermarket requirements, which corroborates Hingley and Lindgren's (2002) observation. Secondly, Cottesbrook have carefully monitored the state of supply of their wines and Tesco's anticipated demands, so that the shelves are always filled and their wine is continually in front of the public, reinforcing the point made by Patterson (2005). Thirdly, they have shown exemplary attention to detail, right down the chain, even to those responsible for displaying and selling their wines. People and relationships matter to them and as a result they have received good treatment. Fourthly, they seized their opportunity to gain access to Tesco, taking a commercial risk in doing so, but they are now benefiting both from increasing sales and requests for new products. This point further supports Joshi and Campbell (2003) and Beverland and Lindgren (2004) about the value of early market entry and the chance to leverage of those initial efforts. Finally, Paterson's research on the role of chain coordinators seems to be largely confirmed for the wine sector, as exemplified by Cottesbrook. It should be noted that the chain coordinator's role appears to have been taken by Brent Rawstron and Robin Mundy, with Graeme Thompson in support. Both Rawstron and Thompson had extensive meat industry experience prior to Cottesbrook, which may have influenced their approach, but the owners formed Cottesbrook to take advantage of this opportunity gap of gaining access to Tesco and have been successful in doing so.

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Appendix

The personnel in the Cottesbrook Sauvignon Blanc supply chain

McCorkindale, Alan	One of New Zealand's leading winemakers, now a wine consultant. Before establishing his own small winery at Waipara, Canterbury, he had been chief winemaker for Corban's Marlborough winery, when Corbans were New Zealand's second largest winemaker (Cooper, 2002)
Mundy, Robin	Joint proprietor of St Helena Wine Estate, the first commercial Canterbury winery, established in 1981, he was winner of the first gold medal for a South Island Pinot Noir wine, precursor to major red wine developments throughout the South Island. Originally a vegetable and potato grower, he had been forced to abandon potatoes when his land was infected by the potato cyst nematode. Wine grapes were the chosen replacement plantings in 1978 (Schuster <i>et al.</i> , 2002).
Rawstron, Brent	Joint proprietor of Rossendale Winery, Canterbury, his first vintage was in 1992 from his own grapes. He is an entrepreneurial farmer and supplier of meat to Delmyer's delicatessen, Munich, Germany (Schuster, <i>et al.</i> , 2002).
Reedman, Phil	Master of Wine, is responsible for Tesco's wine purchases from Australia, New Zealand, Argentina and Chile. He has worked in Alsace, France and the Barossa Valley, South Australia, before he moved to Australia in 1998, where he now represents Tesco. (Tesco, 2007).
Thompson, Graeme	Former C.E.O. and Managing Director of Fortex, a small innovative South Island meat company. He was first to develop the export of chilled cuts of New Zealand's meats rather than the traditional frozen whole carcasses. This had required substantial new market development, including placing chilled meat cuts in Tesco supermarkets (Martin, 2004).
Vrigneau, Dominique	Buying Director and Deputy Managing Director of Thierry's Wine Services of Romsey, Hants. Thierrys is one of the U.K.'s leading wine brokers, which accounts for nearly 8 percent of Britain's wine imports and has a turnover of £80 million (Thierrys, 2007).